



# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN  
Chief Administrative Officer

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Second District

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Third District

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March 24, 2006

To: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

From: David E. Janssen  
Chief Administrative Officer

## WASHINGTON, D.C. UPDATE

### Federal Fiscal Year (FFY) 2007 Budget Resolution

On March 16, 2006, the Senate passed, 51 to 49, its version of the FFY 2007 Budget Resolution (S. Con. Res. 83) before leaving for a week-long recess. The House Budget Committee is expected to mark up its version on March 29, 2006 with floor action the following week. Unlike last year, the Senate-passed Budget Resolution does not include reconciliation instructions, which would protect legislation to cut mandatory (entitlement) spending from filibusters on the Senate floor. Because the House also is expected to forego reconciliation instructions, it is far less likely that any legislation will be enacted this year that would cut entitlement programs of County interest, such as Medicaid.

However, the County still faces a major potential loss of Medicaid revenue because the President's proposed FFY 2007 Budget includes an administrative proposal to reduce Medicaid spending by capping payments to government providers to no more than the cost of providing services to Medicaid recipients. Under current law, higher Medicaid payments can be made to public hospitals, such as the County's, to indirectly provide them with financial relief for their costs of providing medical care to the indigent and uninsured. Last year, the County successfully opposed this proposal when the Bush Administration pursued it as a legislative proposal. The Administration has not yet released detailed language on its proposal to cap payments, making it impossible to develop any precise estimates of its fiscal impact. In fact, last year, the Congressional Budget Office did not estimate its impact due to the lack of sufficient detailed information.

The sole reconciliation instruction in the Senate Budget Resolution calls for \$3 billion in revenue to be raised by leasing energy drilling rights in the Arctic National Wildlife Refuge (ANWR). House Budget Committee Chairman Nussle (R-IA) has indicated that he does not plan to include such ANWR language in the House version. Of County interest, the Senate Budget Resolution caps non-emergency discretionary spending at \$389 billion in FFY 2007, which is \$16 billion higher than the level proposed by the President. This higher spending ceiling includes \$7 billion in advanced appropriations from FFY 2008 for programs under the jurisdiction of the Labor, Health and Human Services, and Education Appropriations Subcommittee. The Administration opposes the use of advanced appropriations.

### **Pursuit of County Positions on Legislation**

**Child Support Enforcement Funding:** Under the recently enacted FFY 2006 Budget Reconciliation Bill (Public Law 109-171), which also is known as the Deficit Reduction Act (DRA), the Federal match of child support incentive payments that states reinvest in the child support enforcement program is eliminated, effective October 1, 2007. The Congressional Budget Office estimates that this provision would reduce net Federal child support enforcement payments to states by \$4.9 billion over ten years. The California Department of Social Services estimates that it will receive \$95.5 million in Federal matching funds for incentive payments in State Fiscal Year 2006-07, the last full State fiscal year before such matching funds would be eliminated under the DRA. On February 16, 2006, H.R. 4794 (McDermott, D-WA) was introduced, which would restore these Federal child support matching funds. Based on the policy to support proposals to increase Federal child support enforcement funding included in the revisions to the Federal Agenda adopted by your Board on February 21, 2006, **the County's Washington advocates will support H.R. 4794 or similar legislation, which would restore the Federal match of child support incentive payments.**

**Prosecutor and Public Defender Student Loan Repayments:** On November 17, 2005, the Prosecutors and Defenders Incentive Act (S. 2039, Durbin, D-IL), was introduced, which would establish a student loan repayment program for borrowers who agree to work for at least three years as prosecutors or public defenders. Eligible attorneys would receive student plan debt repayments of up to \$10,000 per year, subject to a maximum lifetime limit of \$60,000. The bill authorizes \$25 million in funding for this program in FFY 2006 and such sums as may be necessary in subsequent years. It addresses the problem that many law school graduates are unwilling to work in the public sector because government salaries are low relative to rising student loan debt burdens. Based on the policy to support proposals to support legislation which would provide for the cancellation of student loans for public defenders and prosecutors included in the Federal Agenda adopted by your Board on February 21, 2006, **the County's Washington advocates will support S. 2039 or similar legislation, which would provide financial relief from student loans for prosecutors and public defenders.**

**Federal Preemption of State Health Insurance Laws:** Pending legislation before Congress would preempt state health insurance laws, including mental health parity laws in 33 states, including California. Last July, the House passed H.R. 525 (Johnson, R-TX) that would allow small businesses to band together to buy pooled health insurance coverage through association health plans (AHPs) which would be exempt from state regulation. Currently, such plans are subject to regulation by Federal and state governments. By exempting AHPs from state insurance laws, AHPs would be able to provide barebones benefit packages that limit or exclude services, such as mental health care, diabetes care, and cancer screenings, which are required in many states. The bill also would undermine the authority of states to protect consumers against fraud and high medical bills that are not paid by underfunded providers. Similar legislation was passed by the House, but not by the Senate, in the 108<sup>th</sup> Congress.

On March 15, 2006, the Senate Health, Education, Labor, and Pensions Committee approved, along party lines, S. 1955 (Enzi, R-WY), which also would preempt state health insurance laws if the AHP offers at least one health plan that matches any option offered to state employees in one of the five most populous states. Before passing the bill, the Committee rejected 17 amendments, most of which would have required insurers to adhere to certain state laws, such as those requiring mammography, mastectomies, immunizations, and mental health parity. California Insurance Commissioner Garamendi is opposed to the bill because it would preempt California laws and consumer protections.

Based on the policies opposing Federal preemption of state and local government authority and supporting expanded mental health and substance abuse coverage under insurance plans included in the Federal Agenda adopted by your Board on February 21, 2006, **the County's Washington advocates will oppose H.R. 525, S. 2039 or similar legislation, which would preempt State insurance laws and allow AHPs to provide less mental health and substance abuse benefits.**

#### **American Public Human Services Association (APHSA) Conference**

The American Public Human Services Association (APHSA) recently held a conference, co-sponsored by the National Governors Association, which focused on issues relating to the implementation of the Deficit Reduction Act (DRA), which included Temporary Assistance to Needy Families (TANF) reauthorization, child welfare, Medicaid, and child support provisions. The bill's TANF reauthorization provisions greatly increase each state's work participation rate requirements, effective in FFY 2007. Attached is a report on the conference prepared by my staff.

Wade Horn, the Health and Human Services (HHS) Assistant Secretary for Children and Families, spoke at the conference regarding TANF and child welfare issues. He indicated that HHS plans to forward draft interim final TANF work participation rate regulations, which must be issued by June 30, 2006, to the Office of Management and Budget for its review by April 3, 2006. He also noted that the DRA did not extend existing child welfare waiver

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authority, which, under current law, expires at the end of this month, and that HHS is trying to complete the review and approval process for all pending waiver requests, including California's, by that date.

We will continue to keep you advised of any new developments.

DEJ:GK  
MAL:MT:cc

Attachment

c: All Department Heads  
Legislative Strategist

### **American Public Human Services Association (APHSA) Conference**

The American Public Human Services Association (APHSA) held its National Spring Conference in Arlington, Virginia from March 3 through March 7, 2006. The conference, co-sponsored by the National Governors Association, focused on wide-ranging issues relating to the implementation of the Deficit Reduction Act (DRA), which included Temporary Assistance to Needy Families (TANF) reauthorization, child welfare, Medicaid, and child support provisions.

Wade Horn, Health and Human Services (HHS) Assistant Secretary for Children and Families, and Mark McClellan, Administrator of the Centers for Medicare and Medicaid Services (CMS), made presentations on the DRA and the President's proposed Federal Fiscal Year (FFY) 2007 Budget at the opening plenary session.

#### **TANF and Child Welfare**

Dr. Horn stated that the stricter TANF work requirements in the DRA reflect Congress' concerns over the definition of allowable work activities and the belief that states can do better at placing able-bodied adults in work activities. He indicated that his staff is drafting the interim final regulations on TANF work participation rate requirements that must be issued by June 30, 2006. He said that he and his staff could not respond directly to questions on the DRA or comment on the draft regulations, but suggested that written comments be submitted to him as soon as possible. HHS plans to forward draft TANF regulations to the Office of Management and Budget by April 3, 2006. Dr. Horn stated that the Administration has no intention of re-opening TANF. His goal is to write good regulations and to use corrective actions rather than fiscal penalties to get states to comply with TANF work requirements.

Dr. Horn also noted that the DRA did not extend child welfare waiver authority, which sunsets on March 31, 2006. HHS is trying to complete the review and approval process for all pending child welfare waiver requests, including California's, by that date.

The conference had a roundtable panel, which discussed strategies for meeting the TANF work requirements. The panel included Mark Greenberg of the Center for Law and Social Policy; Ron Haskins, the former House Ways and Means Committee staffer who played an instrumental role in drafting the 1996 welfare reform law that established TANF; and LaDonna Pavetti of Mathematica Policy Research, Inc. Haskins stated that no one in Congress believes that the separate 90 percent work participation rate for two-parent families should be maintained, which is virtually impossible for states to meet. He suggested key Republican Members of Congress, including Bill Thomas and Wally Herger, would support the elimination of the two-parent rate.

## **Medicaid**

Dr. McClellan addressed the conference on the Administration's Medicaid long-term reforms aimed at enabling more persons to remain in their homes as an alternative to more costly institutionalization and at encouraging the use of personal financial assets before turning to Medicaid for long-term care. He said that CMS plans to release more information on these proposals before the end of the month.

## **Child Support**

The DRA included several provisions affecting child support enforcement, including those reducing Federal matching funds, assessing a mandatory user fee of \$25 on non-TANF families who receive more than \$500 in child support collections in any given year, and requiring states to review and adjust child support orders in TANF cases every three years. HHS staff reported that HHS plans to issue Child Support regulations by the end of FFY 2006.